

E-Filed 9/8/2006

1 Alan D. Smith, WSBA No. 24964  
2 Brian A. Jennings, WSBA No. 32509  
3 Justin L. Moon, WSBA No. 36981  
4 PERKINS COIE LLP  
5 1201 Third Avenue, 48th Floor  
6 Seattle, WA 98101-3099  
7 Telephone: (206) 359-8000  
8 Facsimile: (206) 359-9000  
9 Email: ADSmith@perkinscoie.com  
10 BJennings@perkinscoie.com  
11 JMoon@perkinscoie.com  
12 Attorneys for Debtors and Debtors-in-Possession  
13  
14  
15

16 UNITED STATES BANKRUPTCY COURT  
17 DISTRICT OF NEVADA  
18  
19

20 In re

21  
22 PTI HOLDING CORP., a Nevada corporation,  
23  
24 Debtors.  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34

Case Nos. 06-50140 through 06-50146  
Administratively consolidated under:

CASE NO. 06-50140

FIRST INTERIM APPLICATION OF  
PERKINS COIE LLP FOR PAYMENT OF  
ATTORNEY FEES AND COSTS

Hearing Date: October 10, 2006  
Hearing Time: 3:00 p.m.

35  
36 Pursuant to 11 U.S.C. § 331, Fed. R. Bankr. P. 2016, and Local Bankruptcy Rule 2016,  
37  
38 Perkins Coie LLP ("Perkins Coie" or the "Firm"), general bankruptcy counsel to PTI Holding  
39 Corp. and its affiliates that are Debtors and Debtors-in-Possession in these proceedings  
40  
41  
42  
43  
44  
45  
46  
47

FIRST INTERIM APPLICATION OF  
PERKINS COIE LLP FOR PAYMENT OF  
ATTORNEY FEES AND COSTS - 1  
[60845-0007/SB062010.094]

**Perkins Coie LLP**  
1201 Third Avenue, Suite 4800  
Seattle, Washington 98101-3099  
Phone: (206) 359-8000  
Fax: (206) 359-9000

(collectively, "Debtors")<sup>1</sup>, hereby applies to the Court for entry of an order allowing and approving the payment of attorneys' fees and costs for the period from March 20, 2006 through August 31, 2006. Perkins Coie has made no previous requests to the Court for interim compensation in this case.

## I. INTRODUCTION

Perkins Coie was employed as Chapter 11 counsel to the Debtors as authorized by the Court's Order Authorizing Employment of Perkins Coie LLP as Debtors' General Bankruptcy Counsel entered by the Court on April 26, 2006 (the "Employment Order"). The Court's Administrative Order Establishing Procedures for Provisional Payment of Compensation and Expenses of Professionals and Committee Members entered June 9, 2006 (the "Fee Procedures Order"), approved payment of 80% of professional fees and 100% of the costs incurred on a monthly basis, subject to the Court's final approval of all fees and disbursements. In this First Interim Application, Perkins Coie seeks (i) Court approval and allowance of the fees and costs paid to date for the period from March 20 through July 31, 2006; (ii) Court approval and allowance of the remaining 20% of fees for the period from March 20 through July 31, 2006, including authorization for the Debtors to pay such amounts; and (iii) Court approval and allowance of the unpaid fees and costs for the month of August 2006, including authorization for the Debtors to pay such amounts.

Pursuant to the Fee Procedures Order, Perkins Coie has billed the Debtors on a monthly basis. As of the date of this Application, Perkins Coie has received payment of 80% of the fees plus 100 percent of the cost disbursements billed for the period between March 20 and July 31,

---

<sup>1</sup> The Debtors include PTI Holding Corp., Homestead Holdings, Inc., The Mounger Corporation, Pacific Trail, Inc., PTI Top Company, Inc., London Fog Group, Inc., and The Scranton Outlet Corp.

2006. The remaining 20% portion of the fees incurred between March 20 and July 31, 2006, and all fees and costs for August have been billed, but not yet paid. Pursuant to the Fee Procedures Order, payment of the August disbursements and 80% of the August fees may be received prior to the hearing on this Application. As summarized in the following table, Perkins Coie requests the allowance of fees totaling \$885,905.35 and cost disbursements totaling \$40,741.99 for the period covered by this Application:

<u>Month</u>	<u>Fees Billed</u>	<u>Costs Billed</u>	<u>Payment Received</u>	<u>Unpaid Balance</u>
March <sup>2</sup>	\$167,731.35	\$15,293.74	\$149,478.82	\$33,546.27
April	\$126,788.30	\$1,913.95	\$103,344.59	\$25,357.66
May	\$148,673.40	\$13,035.17	\$131,973.89	\$29,734.68
June	\$104,186.40	\$7,803.73	\$91,152.85	\$20,837.28
July	\$152,000.50	\$580.09	\$122,180.49	\$30,400.10
August	\$186,525.40	2,115.31	\$0.00	\$188,640.71
<b>TOTALS</b>	<b>\$885,905.35</b>	<b>\$40,741.99</b>	<b>\$598,130.64</b>	<b>\$328,516.70</b>

## II. SUMMARY OF SERVICES PROVIDED

The legal services covered by this Application have been segregated into 20 separate billing categories developed in accordance with the guidelines promulgated by the Office of the United States Trustee (the "OUST"). It is worthwhile to note that the allocation of services to a particular category is a subjective decision, and that reasonable minds could sometimes disagree as to which category a particular service could or should have been allocated. As part of the independent billing judgment review noted below, the Firm has made a concerted good-faith

<sup>2</sup> Post-Petition: Mar. 20 – Mar. 31, 2006.

1 effort to bring together all related services into consistent billing categories. Nevertheless, there  
 2 may be instances in which parties reviewing this Application might not agree with the manner in  
 3 which costs or services have been categorized. Such objections should not be confused with  
 4 objections to the allowance of the fees or costs themselves. For example, time spent relating to  
 5 the retention of Houlihan Lokey has for the most part been recorded in Matter 0003 (Asset  
 6 Disposition), because that retention is so integrally related with the sale of the London Fog  
 7 brand, even though the time obviously could have been recorded in Matter 0007 (Fee  
 8 Employment/Applications). Similarly, time relating to obtaining approval of the agreement  
 9 regarding marketing of leasehold interests has for the most part been recorded in Matter 0018  
 10 (Landlord/Tenant) because the agreement so directly affects the estates' relationships with its  
 11 landlords, while the time could easily have been recorded instead in Matter 003 (Asset  
 12 Disposition). Many other examples could be given.

13 The cost of legal services provided by Perkins Coie during the period of this Application  
 14 also are summarized by month and by category matter number on Exhibit A to this Application.  
 15 The daily descriptions of services provided and the list of costs incurred are set forth in detail on  
 16 Exhibit B. Biographical information and hourly rates for the lawyers and paralegals principally  
 17 involved in the Debtors' matters are attached as Exhibit C, and a schedule of professionals  
 18 employed in the case is attached as Exhibit D. The following is a brief summary of the  
 19 significant services provided by Perkins Coie in each billing category during the Application  
 20 period.

#### 21 **A. Matter 0001 – General Case Administration**

22 Perkins Coie provided services in connection with the representation of Debtors for  
 23 services related to the general administration of the bankruptcy case. Included within this  
 24 category are routine bankruptcy legal services not readily identifiable as belonging in other

categories. For example, during the period relevant to this Application, the Firm reviewed and revised the Debtors' schedules, Statement of Financial Affairs and related documents; drafted, reviewed and revised first-day pleadings; prepared amended schedules and Statements of Financial Affairs; prepared, drafted and made revisions to subsequent pleadings for numerous issues brought before the Court in subsequent hearings; prepared for and traveled<sup>3</sup> to and from appearances at hearings; researched and drafted pleadings related to numerous legal issues; secured Court approval of multiple routine bankruptcy issues, such as the preservation of post-petition utility services; compiled and maintained service lists of creditors and other interested parties; and photocopied and served hundreds of parties with pleadings and related orders as directed by the Court.

Perkins Coie provided services valued at \$90,244.50 and incurred costs of \$14,030.25 in connection with this matter. Legal services in this category were provided primarily by Brian Jennings, Al Smith, Justin Moon and Attila Kovacs-Szabo. As a matter of administrative convenience, a number of disbursements were billed to this category when not specifically identified as relating to another category.

**B. Matter 0002 – Asset Analysis and Recovery (Sale)**

No time was incurred in this matter during this period.

**C. Matter 0003 – Asset Disposition**

Services provided in this category arose primarily from the efforts over various periods to find buyers for various categories of the Debtors' assets, obtaining Court approval of the proposed transaction, then documenting and closing the sales. Initially, the Firm worked with the client regarding the proposed sale of the Pacific Trail Assets to Perry Ellis, including drafting

---

<sup>3</sup> Consistent with the Firm's understanding of local practice, travel time has been billed at 50%.

1 and revising the asset purchase agreement, preparing the sale and bid procedures motion,  
2 addressing issues regarding the escrow agreement, and related license issues. Time was spent in  
3 negotiations and drafts of the bidding and overbid procedures, conferences with prospective  
4 bidders, preparation for the auction and sale, notice of sale status, attendance at the bid  
5 procedures hearing and sale approval hearing, along with numerous follow-up conferences.  
6 After Columbia Sportswear Company became the winning bidder, the Firm was engaged in  
7 documenting and closing that sale, followed by involvement in numerous post-closing issues,  
8 including Perry Ellis's request for expense reimbursement and related due diligence issues,  
9 preparation and revision of the transition services agreement, and revisions to the final sale order.  
10

11 Also during this period Debtors conducted an auction for the right to be Debtors' agent in  
12 the liquidation of inventory through going out-of-business sales at Debtors' factory outlet stores.  
13 The Firm drafted a motion requesting an auction and sale hearing and a motion requesting lease  
14 rejection procedures with respect to the factory outlet stores, and took other action to ensure an  
15 active and efficient auction. Debtors' counsel attended the bid procedures hearing, conducted the  
16 all-day auction in Reno (together with Asset Disposition Advisors), and attended the sale  
17 approval hearing, as well as follow-up conferences and negotiating sessions. Notice of the  
18 inventory sale was subsequently served on state attorneys general and state and local consumer  
19 protection agencies in locations in which sales were taking place.  
20

21 The third sale during this period was the sale of the London Fog trademark and related  
22 trademarks, on which the firm spent significant efforts including drafting and revising the form  
23 of asset purchase agreement; negotiating with the proposed purchaser regarding the "stalking  
24 horse" agreement; drafting, filing and serving the sale and bid procedures motion; and other  
25 issues related to the sale of assets and treatment of license agreements. Time was spent in  
26 negotiating and drafting bidding and overbid procedures, competing stalking horse issues,  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36

37 FIRST INTERIM APPLICATION OF  
38 PERKINS COIE LLP FOR PAYMENT OF  
39 ATTORNEY FEES AND COSTS - 6  
40  
41  
42  
43  
44  
45  
46  
47

[60845-0007/SB062010.094]

Perkins Cole LLP  
1201 Third Avenue, Suite 4800  
Seattle, Washington 98101-3099  
Phone: (206) 359-8000  
Fax: (206) 359-9000

1 conferences with prospective bidders, preparing for the sale, providing notice of sale status to  
2 interested parties, and attending the bid procedures hearing and sale approval hearing, followed  
3 by numerous post-closing conferences, documenting and closing the sale, and consideration of  
4 the motion for breakup fee for the stalking horse. Perkins Coie provided services valued at  
5 \$322,339.00 and incurred costs of \$11,146.94 in connection with this matter. Legal services in  
6 this category were provided primarily by Al Smith, Gail Runnfeldt, Brian Jennings, and  
7 Mary Lou Maag.  
8  
9  
10  
11  
12  
13

14  
15 **D. Matter 0004 – Business Operations**

16 Services in this matter consisted of advising the Company with respect to various  
17 business and daily operation issues arising from Debtors' Chapter 11 filing, including checking  
18 and bank accounts, insurance, and tax issues. The Firm also prepared corporate articles of  
19 amendment. In addition, Perkins Coie devoted time to various visa issues affecting certain of its  
20 employees, as well as preparing and submitting the visa petitions and related documents.  
21  
22  
23  
24  
25  
26

27 The firm worked on director and officer liability issues, and sought and received court  
28 authority to purchase directors and officers insurance. During this time the firm also dealt with  
29 equipment lease and store closing issues.  
30  
31  
32

33 It should be noted that significant disbursements were made by the firm in connection  
34 with the filing of visa petitions as noted above.  
35  
36

37 Services valued at \$17,210.20 and costs of \$11,775.58 were incurred in connection with  
38 this matter. Legal services in this category were provided primarily by Shaina Jensen, Greg  
39 McCall, Cynthia Charles and Al Smith.  
40  
41  
42

43 **E. Matter 0005 – Claims Administration and Objection**

44 Perkins Coie provided services related to claims administration issues, including  
45 responding to numerous employee and creditor claims inquiries, tracking and analysis of a  
46  
47



1 number of reclamation claims, and negotiating with creditor committee counsel. Following the  
 2 claims bar date and receipt of several late-filed claims, a detailed claims analysis was undertaken  
 3 and prepared for the client.  
 4

5  
 6 Legal services valued at \$22,690.00 and costs of \$438.26 were incurred in connection  
 7 with this matter. Services in this category were provided primarily by Al Smith, Attila Kovacs-  
 8 Szabo and Mary Lou Maag.  
 9

10  
 11  
 12 **F. Matter 0006 – Employee Benefits/Severance**

13 Services provided to Debtors included research and analysis of legal issues regarding the  
 14 OFCCP, employee severance and bonus packages under BAPCA, legal issues relating to the  
 15 WARN Act, immigration issues, and issues regarding pension funding and the PBGC. The Firm  
 16 also advised Debtors with regard to employee plans, bonus issues, layoff announcements and  
 17 distress termination issues, payroll deduction issues, visa issues and routine labor and  
 18 employment issues. Because of Debtors' employees in Korea, Firm services in this category  
 19 included considerable work on Korean employment issues, including severance and release  
 20 issues, settlement positions and interim deals. Additional employee issues arose in Vietnam,  
 21 Italy and New Jersey.  
 22

23 The Firm also secured Court approval for the payment of prepetition wages and  
 24 employee health care benefits, and negotiated and secured the approval of incentive  
 25 compensation arrangement for key executives.  
 26

27 Perkins Coie provided services valued at \$56,278.65 and incurred costs of \$353.87 in  
 28 connection with this matter. Legal services in this category were provided primarily by Al  
 29 Smith, Brian Jennings and Andrew Moriarty.  
 30  
 31  
 32  
 33  
 34  
 35  
 36  
 37  
 38  
 39  
 40  
 41  
 42  
 43  
 44  
 45  
 46  
 47



**G. Matter 0007– Fee/Employment Applications**

Perkins Coie prepared employment pleadings and prepared for hearings related to employment of the Firm and other professionals. The other professionals include Belding Harris (local counsel); BDO Siedman (accountants); Cowan Liebowitz (intellectual property counsel); Houlihan Lokey (sale consultants); Asset Disposition Advisors (asset disposition consultants); Avalon Group (financial consultants); Yoon Yang Kim Shin & Yu (Korean counsel), and the joint venture consisting of DJM Asset Management, LLC and Hilco Real Estate, LLC (real estate consultants). The Firm also researched and prepared the motion requesting the Fee Procedures Order. In addition, the Firm assembled information from other professionals and assisted them in filing their invoices and preparing their fee applications, and devoted time preparing this Application.

Services valued at \$29,029.00 and costs of \$75.77 were incurred in connection with this matter. Legal services were provided primarily by Justin Moon, Al Smith, Mary Lou Maag and Attila Kovacs-Szabo.

**H. Matter 0008 – Fee/Employment Objections**

No time was incurred in this matter during this period.

**I. Matter 0009 - Financing**

Firm services in this category primarily related to DIP financing documents and included negotiations with Wachovia and DDJ regarding financing orders and the final DIP agreement, along with cash collateral pleadings; preparation of motions for approval of DIP financing and approval for use of cash collateral and granting of adequate protection; preparation for and participation in hearings regarding same; and negotiation of amendments and revised forms of orders. Additional services related to Bank of America's operating accounts, including negotiation and preparation of a settlement agreement with Bank of America and related

1 stipulation and order, which then necessitated stipulations with Wachovia. In addition, the Firm  
2 advised Debtors on a contract dispute raised by KWI and also prepared an order for approval of  
3 insurance financing. The Firm also dealt with Wachovia liens and committee claims. The Firm  
4 kept lenders apprised of asset sale status and proceeds, prepared amendments to financing  
5 documents, and negotiated and prepared a Wachovia termination agreement.  
6  
7  
8  
9

10 Perkins Coie provided services valued at \$48,545.50 and incurred costs of \$18.23 in  
11 connection with this matter. Legal services in this category were provided primarily by Brian  
12 Jennings, Al Smith and George Fogg.  
13  
14  
15

16  
17 **J. Matter 0010 – Litigation General**  
18

19 Perkins Coie advised and represented Debtors with respect to proceedings outside of the  
20 main bankruptcy case, as well as adversary proceedings within the bankruptcy proceedings.  
21 During this period the *Homestead Holdings v. Broome & Wellington* and *H.W. Baker* adversary  
22 proceedings were filed, new matter numbers were issued and subsequent time was billed to these  
23 specific matters as reported below, rather than to the general litigation matter. Time recorded in  
24 this matter involved meetings and telephone conferences with client representatives; preparing  
25 notices of bankruptcy for cases pending in other courts; research and correspondence regarding  
26 litigation stay issues; research regarding the copyright infringement claim of Roark & Dunn  
27 Associates; and advice to the Debtors on issues related to the prepetition ODI and Mateel  
28 litigation, including certain time spent clarifying the situation in nonbankruptcy courts with  
29 jurisdiction over such matters.  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40

41 The Firm also provided research and analysis on legal issues related to claims brought by  
42 A.T. Hudson and RYKA. In addition, with respect to the A.T. Hudson claim, the Firm prepared  
43 complaint and subpoena papers and subsequently drafted a settlement and release agreement.  
44 With respect to the RYKA claim, the Firm drafted a complaint.  
45  
46  
47

Legal services valued at \$15,873.00 and costs of \$594.93 were incurred in connection with this matter. Services were provided primarily by Justin Moon, Amanda Beane and Al Smith.

**K. Matter 0011 – Creditor Communications**

Initial services following Debtors' Chapter 11 filing included investigation regarding critical vendors and creditor committee formation; conferences with creditors and the Creditors' Committee counsel on numerous issues; and preparation and filing of the utility motion, along with numerous conferences and correspondence on all of the foregoing. The Firm prepared for and participated in the hearing on the initial critical vendor motion and the supplemental critical vendor motion, as well as the initial meeting of creditors.

This category also includes a number of communications on an almost daily basis with various creditors who had questions about various aspects of the case, requests for notice, requests for proof of claim forms, and status of reclamation claims, and the Firm's responses to those requests. The category also includes communications between members of the Firm and the Creditors' Committee on various topics. (When those communications were specific to something covered in another category, that time is usually billed in the more specific category, but general discussions and multiple topic discussions were usually billed in this category.) In addition, this category includes time spent on telephonic meetings with the Committee and working with the Committee on a motion to limit information to nonmember creditors and members with conflicts of interest.

Perkins Coie provided services valued at \$44,869.50 and incurred costs of \$7.02 in connection with this matter. Legal services were provided primarily by Brian Jennings, Al Smith and Justin Moon.

**L. Matter 0012 – Plan and Disclosure Statement**

During this period the Firm and Debtors began work on future strategy, including initial consideration of relative benefits and burdens of various plans and plan alternatives. In addition, the Firm prepared and filed a motion requesting extension of the exclusivity periods.

Legal services valued at \$7,956.00 were incurred and were provided primarily by Brian Jennings and Al Smith.

**M. Matter 0013 – Relief from Stay Proceedings**

No time was incurred in this matter during this period.

**N. Matter 0014 – Tax Issues**

During this period the Firm advised Debtors on IRS issues relating to their federal tax status.

Legal services valued at \$47.50 were incurred and were provided primarily by Bryan Smith and Al Smith.

**O. Matter 0015 – Valuation Issues**

No time was incurred in this matter during this period.

**P. Matter 0016 – General Corporate**

The Firm's services in this matter included corporate compliance, including advising Debtors regarding board determinations, participation in certain board meetings, preparation of memoranda regarding board duties and responsibilities, preparation of board consents and other corporate documents, and similar matters.

Legal services valued at \$7,413.00 and costs of \$416.42 were incurred in connection with this matter. Services were provided primarily by Stewart Landefeld and Mary Lou Maag.

1 **Q. Matter 0017 – Licenses**

2  
3 Services in this matter generally consisted of advising the Company with respect to  
4  
5 licensing and various related intellectual property issues arising from Debtors' Chapter 11 filing,  
6  
7 along with a few ordinary course licensing issues that may arise in or out of bankruptcy. These  
8  
9 services included investigation, research and analysis related to the process for and assumption  
10  
11 of various inbound licenses; preparing motions to assume trademark license agreements; and  
12  
13 dealing with amendments and new licenses. In addition, the Firm advised Debtors regarding  
14  
15 certain specific intellectual property issues including alleged copyright infringement related to  
16  
17 use of photographs, and issues related to the Angela Adams, The Weather Company, and  
18  
19 Cubanitas licenses. Debtors are represented by the Cowan Liebowitz firm for most intellectual  
20  
21 property matters, so many of the Firm's efforts were coordinating Cowan Liebowitz' efforts with  
22  
23 the requirements of the bankruptcy process.

24  
25 Legal services valued at \$21,294.00 were incurred in connection with this matter. Legal  
26  
27 services were provided primarily by Brian Jennings, Al Smith and Justin Moon.

28  
29 **R. Matter 0018 – Landlord/ Tenant**

30  
31 The Firm's services in this matter related primarily to lease issues regarding Debtors'  
32  
33 outlet stores, headquarters and warehouses, including advising the Company regarding lease  
34  
35 termination notices and lease assumption and rejection issues. The Firm prepared and served  
36  
37 sale and lease motions, analyzed effect of various sale motions on Debtors' leases, and responded  
38  
39 to landlord objections. Further services included advice regarding the status of the auction and  
40  
41 issues regarding closed locations, vacating premises, and other matters. In addition, the Firm  
42  
43 negotiated and prepared an amendment to the Lake Union headquarters lease and drafted a  
44  
45 motion to approve the lease amendment. Further, the firm drafted a motion to reject the lease of  
46  
47 Debtors' warehouse in Renton, Washington.

1 Legal services valued at \$35,877.00 and costs of \$2.65 were incurred in connection with  
 2 this matter. Legal services were provided primarily by Al Smith, Brian Jennings and Justin  
 3 Moon.  
 4

5  
 6  
 7 **S. Matter 0019 – Broome & Wellington**

8  
 9 Very shortly after the Debtors' Chapter 11 filings, Broome & Wellington filed a proof of  
 10 claim against Debtor Homestead Holdings, Inc. The Firm and Debtors considered response  
 11 strategies, devoted time to analysis of Broome & Wellington's claim, and researched legal issues  
 12 including jurisdiction and potential injunctions against actions against nondebtors, and related  
 13 issues. The Firm prepared and filed an adversary complaint against Broome & Wellington,  
 14 along with preliminary injunction pleadings, and prosecuted those claims to (successful)  
 15 conclusion. The litigation continues with preparation of a discovery plan and participation in  
 16 discovery, including thus far submission of two sets of discovery requests to Broome &  
 17 Wellington, the deposition of the U.S. Trustee, and service of additional deposition subpoenas.  
 18 The firm also researched the legal issues related to Broome & Wellington's motion for  
 19 abstention, and responded to that motion.  
 20  
 21  
 22  
 23  
 24  
 25  
 26  
 27  
 28  
 29

30 Services valued at \$161,763.00 and costs of \$1,881.28 were incurred in connection with  
 31 this matter. Legal services were provided primarily by Harry Schneider, Al Smith, Brian  
 32 Jennings and Amanda Beane.  
 33  
 34  
 35  
 36

37 **T. Matter 0020 – HW Baker Linen**

38  
 39 Debtors sought the Firm's advice in connection with the large receivable from H.W.  
 40 Baker Linen. Following review of documents and strategy conferences, the firm drafted and  
 41 filed a complaint against H.W. Baker Linen, prior to Baker and its affiliates filing bankruptcy.  
 42 Further services related to Debtors' application to serve on the H.W. Baker Linen creditors  
 43 committee.  
 44  
 45  
 46  
 47

1 Services valued at \$4,475.50 and costs of \$0.79 were incurred in connection with this  
2 matter. Legal services were provided primarily by Amanda Beane and Brian Jennings.  
3

### 4 **III. STATUS OF CASE AND SOURCE OF PAYMENT**

5 Debtors continue to operate their businesses as debtors and debtors-in-possession under  
6 Sections 1107(a) and 1108(b) of the Bankruptcy Code. Debtors have sold, or are in the process  
7 of selling, a substantial portion of their assets, including trademarks related to the London Fog  
8 and Pacific Trail brands and the inventory that is in Debtors' factory outlet stores.  
9

10 Debtors secured DIP financing, and have repaid that financing in full. The DIP and cash  
11 collateral budgets submitted by Debtors and approved by the Court have all included allowances  
12 for professional fees. Perkins Coie is confident that Debtors are able to pay the amounts  
13 requested in this application.  
14

### 15 **IV. INDEPENDENT BILLING JUDGMENT AND COST RECOVERY POLICIES**

16 Using Perkins Coie's ordinary billing rates as approved by the Court, the total amount of  
17 fees included in this application is \$885,905.35, at a composite hourly rate of \$371.02. In  
18 preparing its application, however, Perkins Coie must also exercise independent billing judgment  
19 to determine whether increases or reductions in the amount charged to the Debtors' bankruptcy  
20 estates are warranted. See Hensley v. Eckerhardt, 641 U.S. 424, 434 (1983).  
21

22 Perkins Coie has carefully considered the fees and disbursements requested in this  
23 Application and believes that overall the fees and costs incurred herein are reasonable and  
24 appropriate in light of the nature, size and complexity of this case. Perkins Coie also  
25 acknowledges that it is appropriate to exercise independent billing judgment and to review all  
26 fees and costs incurred to ensure that any inefficiencies, duplications of effort, non-productive  
27 time and unnecessary charges are deleted from the bill. Such reductions are based on the Firm's  
28 recognition that, while the time and disbursements were incurred as indicated, all such efforts  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47



perhaps did not benefit Debtors to the full extent of the amount that would normally be invoiced. Rather than asserting an aggressive position in this area, Perkins Coie carefully reviewed all time entries and has written off or written down a total of approximately \$8,700 in fees relating to the matters listed above. This voluntary reduction represents approximately 30 hours of legal time devoted to this case for which the estate has not been and will not be charged.

The Firm's cost recovery policies are designed only to recover actual out-of-pocket expenses and not to make a profit on disbursements. For example, the Firm does not charge a "per page" fee for either sending or receiving faxes; fax charges shown on Exhibit B are the actual costs of long distance charged by the telephone company for each fax, without mark-up or service fees. The Firm's in-house photocopy and printing charges are at recorded \$0.10 per page, which reflects the Firm's reasonable estimate of allocable copy machine costs. The costs for outside services, such as postage, messenger services, photocopy and mailing services, etc. are passed through to the client and billed at the same rate as the provider has invoiced the Firm, without mark-up or additional service fees. Overnight and express mail services are utilized only when the relevant time constraints justify the added cost. As with the costs of other outside services, overnight and express mail charges are passed through to clients without mark-up or additional service charges. Computer research charges are also passed through to clients, but clients benefit from the Firm's annual volume discount contract with Westlaw, which usually amounts to a reduction of approximately 50% from regular charges.

#### V. SUMMARY OF FEES AND COSTS

After exercising its independent billing judgment, Perkins Coie seeks allowance of \$885,905.35 in fees and reimbursement of \$40,741.99 in costs incurred in the period between March 20 and August 31, 2006. With respect to fees and costs incurred between March 20 and July 31, 2006, Debtors have already paid \$598,130.64, which equals 80% of the fees and 100%

FIRST INTERIM APPLICATION OF  
PERKINS COIE LLP FOR PAYMENT OF  
ATTORNEY FEES AND COSTS - 16

[60845-0007/SB062010.094]

Perkins Coie LLP  
1201 Third Avenue, Suite 4800  
Seattle, Washington 98101-3099  
Phone: (206) 359-8000  
Fax: (206) 359-9000

1 of the costs incurred during that period. Only \$139,875.99, or 20% of the fees for that period,  
 2 remain to be paid upon approval by the Court. With respect to fees and expenses incurred in  
 3 August 2006, no payments have been made as of the date of this Application and the full amount  
 4 of the approved fees and costs will be due upon Court approval. However, the Debtors' regular  
 5 accounts payable payment cycle may result in payment of 100% of costs and 80% of fees for the  
 6 month of August prior to the hearing on this Application.  
 7  
 8  
 9  
 10  
 11

12 Perkins Coie therefore requests that the Court approve this First Interim Application and  
 13 allow a total of \$885,905.35 in fees and \$40,741.99 in costs comprising the total fees and costs  
 14 incurred from March 20, 2006 through August 31, 2006, reduced as described above for  
 15 payments received. No amount received from the Debtors will be shared with any person except  
 16 partners and employees of Perkins Coie under the firm's established compensation procedures.  
 17  
 18  
 19  
 20  
 21

22 DATED: September 8, 2006.  
 23

24 **PERKINS COIE LLP**  
 25

26 By /s/ Alan D. Smith  
 27

28 Alan D. Smith, WSBA #24964  
 29

30 Brian A. Jennings, WSBA #32509  
 31

32 Justin L. Moon, WSBA #36981  
 33

34 Attorneys for Debtors and Debtors-in-Possession  
 35  
 36  
 37  
 38  
 39  
 40  
 41  
 42  
 43  
 44  
 45  
 46  
 47

FIRST INTERIM APPLICATION OF  
 PERKINS COIE LLP FOR PAYMENT OF  
 ATTORNEY FEES AND COSTS - 17

[60845-0007/SB062010.094]

**Perkins Coie LLP**  
 1201 Third Avenue, Suite 4800  
 Seattle, Washington 98101-3099  
 Phone: (206) 359-8000  
 Fax: (206) 359-9000